

CITY OF WILLIAMSBURG

**INDEPENDENT AUDITOR'S REPORT
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION
SCHEDULE OF FINDINGS
June 30, 2005**

Juli Ochs, CPA

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City Of Williamsburg

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Murray Armstrong	Mayor	Jan. 2006
Don Kirkpatrick	Mayor Pro tem	Jan. 2008
Theresa Phillips	Council Member	Jan. 2008
Marcia Greiner	Council Member	Jan. 2006
Paul Lortz	Council Member	Jan. 2008
Gary Wanner	Council Member	Jan. 2006
Jenifer Karsten	Clerk/Administration Treasurer	Indefinite
Eric Tindal	Attorney	Indefinite

CITY OF WILLIAMSBURG

Juli Ochs, CPA
1344 240th St.
Victor, Iowa 52347
319-647-2295 (Home)

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Williamsburg, Iowa, as of and for the year ended June 30, 2005. These financial statements are the responsibility of city officials. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards of the United States of America, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by officials, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

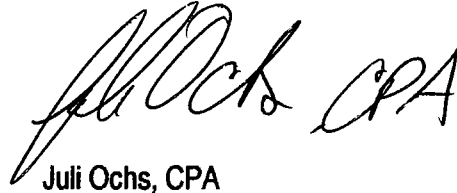
As described in note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than United States generally accepted accounting principles.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Williamsburg as of June 30, 2005, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, I have also issued my reports dated August 12, 2005 on my consideration of the City of Williamsburg's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, and contracts and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 12 and 26 through 28 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. I did not audit the information and express no opinion on it.

My audit was performed for the purpose of forming an opinion on the aforementioned financial statements taken as a whole. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in my audit of the aforementioned financial statements and, in my opinion, is fairly stated in all material respects in relation to the aforementioned financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Juli Ochs CPA", is positioned above the printed name.

August 12, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of the City of Williamsburg's financial performance is an overview of the City's financial activities for the fiscal year, which ended June 30, 2005. Readers should consider this information in conjunction with the City's financial statements, which follow.

2005 FINANCIAL HIGHLIGHTS

- *Revenues of the City decreased approximately \$548,000 from fiscal year 2004 to 2005. Local Option Sales Tax, Hotel/Motel tax, and TIF revenues all increased from the prior year. Total Revenues decreased primarily due to increased transfers.
- *Disbursements of the City increased approximately \$2,200,000 from fiscal year 2004 to 2005. There were several capital improvement projects in progress and new equipment was purchased.
- * The City's total cash basis net assets decreased approximately \$1,164,000 from fiscal year 2004 to 2005 due mainly to capital improvement projects and equipment that was purchased. Of this amount, the assets of the governmental activities decreased approximately \$1,142,000 and the assets of the business activities decreased by approximately \$22,400.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis shows basic financial statement and an overview of cash receipts and disbursements. The cash basis of accounting does not take into consideration accounts receivable or accounts payable.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This Statement includes information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or declining.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- ❖ Governmental Activities include public safety, public works, health and social services, culture and recreation, general government, debt service, and capital projects. These activities are financed mainly by property taxes and state/federal grants.
- ❖ Business Type Activities include the water system and the sanitary sewer system. Fees charged to the users finance these activities.

Fund Financial Statements

The City has two kinds of funds:

1. Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax, Local Option Sales Tax, and Urban Renewal Tax Increment, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

2. Proprietary funds account for the City's Enterprise Funds. Enterprise funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the water and sewer funds, considered to be major funds of the City.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from \$3,051,086 to \$1,909,240 from a year ago. The analysis focuses on the changes in cash balances for governmental activities

Changes in Cash Basis Net Assets of Governmental Activities

	<u>Year ended June 30,</u>	
	<u>2005</u>	<u>2004</u>
Receipts and transfers		
Program receipts		
Charges for services	383,264	329,252
Operating Grants, Contributions	268,660	268,709
Special Assessments	10,244	28,230
General receipts:		
Property tax	488,445	562,707
Local Option Sales Tax	302,602	297,063
Hotel/Motel Tax	64,881	56,278
TIF revenues	1,209,469	1,064,489
Bond proceeds	--	1,392,587
Other general receipts	278,952	142,109
Transfers	1,607,892	1,021,022
Total receipts and transfers	<u>\$ 4,614,409</u>	<u>5,162,446</u>
Disbursements and transfers		
Public safety	422,794	373,751
Public works	444,297	348,132
Health and social services	900	900
Culture and recreation	624,977	694,955
Community and economic development	117,097	157,006
General government	152,526	138,088
Debt service	836,970	583,085
Capital projects	1,623,057	302,504
Transfers	1,533,637	958,137
Total disbursements & transfers	<u>\$ 5,756,255</u>	<u>3,556,558</u>
Increase/decrease in cash basis net assets	<u>(1,141,850)</u>	<u>1,605,888</u>
Cash basis net assets beginning of year (net prior period)	<u>\$ 3,050,240</u>	<u>1,444,695</u>
Cash basis net assets end of year	<u>\$ 1,908,390</u>	<u>3,050,583</u>

Changes in Cash Basis Net Assets of Business Type Activities

Receipts		<u>Year ended June 30,</u>	
		<u>2005</u>	<u>2004</u>
Program receipts			
Charges for services			
Water		296,583	289,854
Sewer		293,571	292,111
General receipts			
Other general receipts			
Water		26,469	30,263
Sewer		4,370	---
Total receipts		<u>\$620,993</u>	<u>612,228</u>
Disbursements and transfers			
Water		362,793	172,383
Sewer		206,362	264,961
Transfers			
Water		49,459	39,915
Sewer		24,796	22,970
Total disbursements/ Transfers		<u>\$643,410</u>	<u>500,229</u>
Decrease in cash basis net assets		<u>(22,417)</u>	<u>(111,999)</u>
Cash basis net assets beginning of year		<u>454,596</u>	<u>342,597</u>
Cash basis net assets end of year		<u><u>\$432,179</u></u>	<u><u>454,596</u></u>

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As Williamsburg, Iowa completed the year, its governmental funds reported a combined fund balance of \$1,908,390, which is a decrease of \$1,141,850. Major reasons for changes in balances from fiscal year 2004 are:

* The General Fund continues to receive less money because of budget cuts from the State. The Local Option Sales Tax has been compensating for this loss of revenue. A new police vehicle was purchased in fiscal year 2005. A new copy machine was purchased for city hall. Additional chairs and a new vacuum were purchased for the Aquatic Center.

*The Road Use Tax Fund revenue is based on per capita dollars from the state. The rate was not increased from fiscal year 2004 to fiscal year 2005 therefore revenues did not increase. New equipment purchased was a snowplow, brush chipper and air compressor.

*The Tax Increment Financing Fund revenues were approximately \$148,000 more than fiscal year 2004 due to increased TIF valuation. Expenditures increased due to the 1997 and 1999 bonds being paid off and funds were transferred to debt service to cover the cost.

*The Local Option Sales Tax Fund revenues increased just over \$5,500 from fiscal year 2004. Expenditures were approximately the same from fiscal year 2004 to fiscal year 2005. Transfers out continue to the General Fund to cover continued budget cuts from the State.

*The Capital Improvement Fund was the major reason for the decrease in the ending fund balance for fiscal year 2005. The East State Street/Welsh Street project and the Welsh Street Utilities Extension project were accepted in fiscal year 2005. The City Hall/Police Department remodeling project was started and completed in fiscal year 2005. The South Trunk Sewer project continued through fiscal year 2005. The South Street (Court to Elm) project was started in fiscal year 2005 as was the State Street (Elm to Wilson) project.

*The Debt Service Fund revenues and expenditures were more because of the 1997 and 1999 bond debt being paid off.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

The Water Utility Fund balance decreased by \$89,200 from fiscal year 2004 due mainly to upgrade of the water meter system.

The Sewer Utility Fund balance increased by \$66,783 from fiscal year 2004 due mainly to sewer rates increase.

BUDGETARY HIGHLIGHTS

The City amended its budget on May 9, 2005 resulting in an increase of disbursements of approximately \$2,681,667. Said disbursements include a new police vehicle, a copy machine for city hall, a snow plow, brush chipper, and compressor for public works, new chairs and a vacuum for the aquatic center. Several capital improvement projects were continued, completed or started in fiscal year 2005.

DEBT ADMINISTRATION

At June 30, 2005, the City had approximately \$3,905,000 in bonds and other long-term debt, compared to approximately \$3,545,000 last year, as shown below.

Outstanding Debt at Year-End (Expressed in Thousands)		June 30,
	2005	2004
General Obligation Corporate Purpose Bonds		
1997 Sports Complex, water/sewer projects	-	90
1999 1998 & 1999 DNR projects	-	250
2001 State St, Lagoon, Water Plant projects	895	1,005
2002 Franklin St project	700	800
2004 E State St & Welsh St projects	1,260	1,400
Revenue Bonds		
2005 SRF Sewer Revenue Bond	1,050	--
Total	\$ 3,905	3,545

Debt increased as a result of issuance of SRF Bond.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City of Williamsburg's elected and appointed officials considered factors such as tax rates and fees that will be charged for various City activities when they adopted the 2005 budget.

Projects being continued, completed or considered for fiscal year 2006 are:

- *The State Street (Elm –Wilson) project
- *The South Street (Court –Elm) project
- *The East State Street Sewer Extension project
- *A new fire station
- *A new library

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide the citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for all money received. If you have questions about this report or need additional information, please contact Jenifer J Karsten, City Clerk/Treasurer, 210 West State Street, PO Box 596, Williamsburg, Iowa 52361 or call 319-668-1133.

City of Williamsburg
Statement of Activities and Net Assets - Cash Basis
As of and for the year ended June 30, 2005

Functions/Programs:	Disbursements	Program Receipts	
		Charges for Service	Operating Grants, Contributions, and Restricted Interest
Governmental activities:			
Public safety	\$ 422,794	1,670	2,421
Public works	444,297	67,851	218,009
Health and social services	900	-	-
Culture and recreation	624,977	299,508	24,288
Community and economic development	117,097	-	-
General government	152,526	14,235	-
Debt service	836,970	-	-
Capital projects	1,623,061	-	23,942
Total governmental activities	<u>4,222,622</u>	<u>383,264</u>	<u>268,660</u>
Business type activities			
Water	362,794	296,958	-
Sewer	206,362	293,570	-
Total business type activities	<u>569,156</u>	<u>590,528</u>	<u>-</u>
Total	<u>\$ 4,791,778</u>	<u>973,792</u>	<u>268,660</u>

General Receipts:

Property tax levied for:

- General purposes
- Tax increment financing
- Debt service
- Local option sales tax
- Other city taxes
- Grants and contributions not restricted to a specific purpose
- Unrestricted interest on investments
- Bond proceeds
- Miscellaneous
- Sale of assets

Transfers

Total general receipts and transfers

Change in cash basis net assets

Cash basis net assets beginning of year, net prior period adjustments

Cash Basis Net Assets

Restricted

- Streets
- Urban renewal projects
- Debt service
- Other purpose

Unrestricted

Total cash basis net assets

Capital Grants, Contributions, and Restricted Interest	Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
	Governmental Activities	Business Type Activities	Total
-	(418,703)	-	(418,703)
-	(158,437)	-	(158,437)
-	(900)	-	(900)
-	(301,181)	-	(301,181)
-	(117,097)	-	(117,097)
-	(138,291)	-	(138,291)
10,244	(826,726)	-	(826,726)
-	(1,599,119)	-	(1,599,119)
10,244	(3,560,454)	-	(3,560,454)
-	-	(65,836)	(65,836)
-	-	87,208	87,208
-	-	21,372	21,372
10,244	(3,560,454)	21,372	(3,539,082)
\$	461,798	-	461,798
	1,209,469	-	1,209,469
	26,647	-	26,647
	302,602	-	302,602
	102,883	-	-
	44,651	7,196	51,847
	12,258	23,269	35,527
	184,041	-	184,041
	74,255	(74,255)	-
	2,418,604	(43,790)	2,271,931
	(1,141,850)	(22,418)	(1,164,268)
	3,050,240	454,596	3,504,836
	1,908,390	432,178	2,340,568
	-	-	-
	246,907	-	246,907
	3,320	-	3,320
	-	-	-
	1,658,163	432,178	2,090,341
\$	1,908,390	432,178	2,340,568

City of Williamsburg

Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Governmental Funds

As of and for the year ended June 30, 2005

		Special Revenue			
		Road	Urban	Local	Capital
	General	Use	Renewal	Option Sales	Projects
		Tax	Tax Increment	Tax	
Receipts:					
Property Tax	\$ 426,418	\$ -	\$ -	\$ -	\$ 35,380
Tax increment financing collections	-	-	1,209,469	-	-
Other City Tax	100,597	-	-	302,602	1,633
Use of money and property	85,529	-	6,730	3,832	6,648
Licenses and permits	11,806	-	-	-	-
Intergovernmental	19,248	218,009	-	-	-
Charges for services	297,499	-	-	-	-
Special Assessments	-	-	-	-	-
Miscellaneous	219,121	-	-	-	23,942
Total Receipts	<u>1,160,218</u>	<u>218,009</u>	<u>1,216,199</u>	<u>306,434</u>	<u>67,603</u>
Disbursements:					
Operating:					
Public Safety	422,794	-	-	-	-
Public Works	159,064	285,233	-	-	-
Health and social services	900	-	-	-	-
Culture and recreation	624,977	-	-	-	-
Community and economic development	13,816	-	103,281	-	-
General government	152,526	-	-	-	-
Debt service	-	-	-	-	-
Capital projects	-	-	-	-	1,623,061
Total Disbursements	<u>1,374,077</u>	<u>285,233</u>	<u>103,281</u>	<u>-</u>	<u>1,623,061</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(213,859)</u>	<u>(67,224)</u>	<u>1,112,918</u>	<u>306,434</u>	<u>(1,555,458)</u>
Other financing sources (uses):					
Bond proceeds:					
General Obligation Bond	-	-	-	-	-
Operating transfers in (out)	413,137	-	(1,233,637)	(300,000)	399,059
Total other financing sources (uses)	413,137	-	(1,233,637)	(300,000)	399,059
Excess (deficiency) of receipts and other financing sources over (under) disbursements & other financing uses	<u>199,278</u>	<u>(67,224)</u>	<u>(120,719)</u>	<u>6,434</u>	<u>(1,156,399)</u>
Balance beginning of year	1,033,079	150,245	246,908	231,287	1,385,744
Prior Period Adjustment	(343)	-	-	-	-
Adjusted Balance beginning of year	1,032,736	150,245	246,908	231,287	1,385,744
Balance end of year	<u>\$ 1,232,014</u>	<u>\$ 83,021</u>	<u>\$ 126,189</u>	<u>\$ 237,721</u>	<u>\$ 229,345</u>
Cash Basis Fund Balances					
Reserved:					
Debt Service	-	-	-	-	-
Unreserved:					
General Fund	1,232,014	-	-	-	-
Special Revenue Funds	-	83,021	126,189	237,721	-
Capital Project Fund	-	-	-	-	229,345
Total cash basis fund balances	<u>1,232,014</u>	<u>83,021</u>	<u>126,189</u>	<u>237,721</u>	<u>229,345</u>

Debt Service	Total
\$ 26,647	\$ 488,445
-	1,209,469
653	405,485
510	103,249
-	11,806
-	237,257
-	297,499
10,244	10,244
-	243,063
<u>38,054</u>	<u>3,006,517</u>

-	422,794
-	444,297
-	900
-	624,977
-	117,097
-	152,526
836,970	836,970
-	1,623,061
<u>836,970</u>	<u>4,222,622</u>

<u>(798,916)</u>	<u>(1,216,105)</u>
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-	-
795,696	74,255

795,696	74,255
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<u>(3,220)</u>	<u>(1,141,850)</u>
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3,320	3,050,583
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-	(343)
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3,320	3,050,240
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<u>\$ 100</u>	<u>\$ 1,908,390</u>
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100	100
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-	1,232,014
---	-----------

-	446,931
---	---------

-	229,345
---	---------

<u>100</u>	<u>1,908,390</u>
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Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds

As of and for the year ended June 30, 2005

	<u>Enterprise Funds</u>		
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Receipts:			
Use of money and property	\$ 2,825	4,371	7,196
Charges for services	296,958	293,570	590,528
Miscellaneous	23,269	-	23,269
Total Receipts	<u>323,052</u>	<u>297,941</u>	<u>620,993</u>
Disbursements:			
Business type activities	<u>362,794</u>	<u>206,362</u>	<u>569,156</u>
Total Disbursements	<u>362,794</u>	<u>206,362</u>	<u>569,156</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(39,742)</u>	<u>91,579</u>	<u>51,837</u>
Other financing sources (uses):			
Operating transfers in (out)	(49,459)	(24,796)	(74,255)
Total other financing sources (uses)	(49,459)	(24,796)	(74,255)
Excess (deficiency) of receipts and other financing sources over (under) disbursements & other financing uses	<u>(89,201)</u>	<u>66,783</u>	<u>(22,418)</u>
Balance beginning of year	254,931	199,665	454,596
Balance end of year	<u>\$ 165,730</u>	<u>266,448</u>	<u>432,178</u>
Cash Basis Fund Balances			
Unreserved	<u>165,730</u>	<u>266,448</u>	<u>432,178</u>
Total cash basis fund balances	<u>165,730</u>	<u>266,448</u>	<u>432,178</u>

See notes to financial statements

City of Williamsburg
Notes to Financial Statements
June 30, 2005

(1) Summary of Significant Accounting Policies

The City of Williamsburg is a political subdivision of the State of Iowa located in Iowa County. It was first incorporated in 1885 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture, recreation, public improvements and general administrative services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, City of Williamsburg has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standard Board criteria.

Jointly Governed Organizations

The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Iowa County Assessor's Conference Board, Iowa County Joint E-911 Service Board, Parks and Recreation Board and Regional Environmental Improvement Commission.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Urban Renewal Tax Increment Fund is used to account for urban renewal projects financed by tax increment financing.

The Local Option Sales Tax Fund is used to account for projects financed by the Local Option Sales Tax.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general obligation and special assessment for long-term debt.

The Capital Projects Funds are used to account for the payment of construction projects either financed by bond proceeds or tax levies that exceed one year in length.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The City also reports the following additional fiduciary fund:

The Trust Fund is used to account for monies and properties received and held by the City in a trustee capacity. These include non-expendable trust funds.

C. Measurement Focus and Basis of Accounting

The City of Williamsburg maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2005 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentality's; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City's investments are categorized to give an indication of the level of risk assumed by the City at year end. The City's investments are all Category 1, which means the investments are insured or registered or the securities are held by the City or its agent in the City's name.

(3) Bonds and Notes Payable

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending June 30,	General Obligation Bonds		Revenue Bonds		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	350,000	116,995	39,000	28,875	389,000	145,870
2007	350,000	104,945	40,000	30,330	390,000	135,275
2008	350,000	91,730	41,000	29,130	391,000	120,860
2009	350,000	78,100	43,000	27,900	393,000	106,000
2010	350,000	57,860	44,000	26,610	394,000	84,470
2011	350,000	42,960	45,000	25,290	395,000	68,250
2012	350,000	27,710	47,000	23,940	397,000	51,650
2013	265,000	12,090	48,000	22,530	313,000	34,620
2014	140,000	-	49,000	21,090	189,000	21,090
2015	-	-	51,000	19,620	51,000	19,620
2016	-	-	52,000	18,090	52,000	18,090
2017	-	-	54,000	16,530	54,000	16,530
2018	-	-	56,000	14,910	56,000	14,910
2019	-	-	57,000	13,230	57,000	13,230
2020	-	-	59,000	11,520	59,000	11,520
2021	-	-	61,000	9,750	61,000	9,750
2022	-	-	63,000	7,920	63,000	7,920
2023	-	-	65,000	6,030	65,000	6,030
2024	-	-	67,000	4,080	67,000	4,080
2025	-	-	69,000	2,070	69,000	2,070
Total	\$2,855,000	\$532,390	\$1,050,000	\$359,445	\$ 3,905,000	\$ 891,835

(4) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the City is required to contribute 5.75% of annual covered payroll except for police employees, in which case the percentages are 8.535% and 8.535% respectively. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2005, 2004, and 2003, were \$41,225, \$40,944, and \$38,967 respectively, equal to the required contributions for each year.

(5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and comp time hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's liability for earned vacation and comp time leave termination payments payable to employees at June 30, 2005 is \$26,497 for vacation and \$11,614 for comp time, for a total liability of \$38,111.

(6) Economic Development Loan

On January 24, 2000, the City entered into a Development Agreement with Williamsburg Manufacturing, in which the City agrees to make economic development tax rebate payments to Williamsburg Manufacturing, pursuant to Chapters 15A and 403 of the Code of Iowa, in amounts which represent 50% of the property taxes paid with respect to the incremental property valuation of the construction project to expand the facilities of Williamsburg Manufacturing through June 1, 2011. The tax rebate payments shall not constitute general obligations of the City, but shall be paid solely and only from incremental property taxes received by the City from the County Treasurer which are attributable to the construction project.

(7) Workers Compensation

The City is a member of the Iowa Municipalities Worker's Compensation Association (IMWCA) which provides worker's compensation coverage to its members. The members own an interest in the assets of the claims payment fund.

(8) Thelma Wyman Memorial

During August of 1991, the family of Thelma Wyman contributed \$500 to be put into an interest bearing account, the principal of which is to remain intact and cannot be withdrawn for any reason. One percent of the yearly interest shall be added to and become part of the principal. The remaining interest from this account is paid to Williamsburg Public Library to be used as the Library Board deems necessary in order to maintain the library.

(9) Risk Management

The City of Williamsburg is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Regional Environmental Improvement Commission

The City, in conjunction with all other municipalities in Iowa County, has created the Regional Environmental Improvement Commission. The commission was established for the primary purpose of providing for the collection and disposal of solid waste produced or generated by each participant. Upon dissolution of the corporation, the net assets of the commission will be prorated among the municipalities. The commission is governed by a board composed of an elected representative of the governing body of each participating governmental jurisdiction.

(11) Boyd Monies

Walter C. Boyd left the balance of his estate to the town of Williamsburg, Iowa, to be used as the City sees fit. The City Council set up a separate account in the General Fund to track this money and show the citizens where the money is being spent.

(12) Advance – HACAP

On February 13, 1984, the City entered into an agreement with Hawkeye Area Community Action Program (HACAP) in which the City advanced HACAP \$10,000 for the down payment for the purchase of a building to be utilized as a community center. Williamsburg Community Child Care Center (W4C's) purchased the building August 1, 2000 and the advance shall be reimbursed to the City if W4C's ceases to use the building as a child care center, sells the building or the organization dissolves. This money was paid back to the City in 2005 because W4C's vacated the building.

(13) Interfund Loan

The City entered into an interfund loan agreement in 1999. The Boyd Monies Fund loaned the Urban Renewal Tax Fund \$273,000 for costs relating to the Sports Complex. The Urban Renewal Tax Fund will repay the Boyd Monies Fund an annual payment of \$40, 137 at 6.00% interest, culminating in 2007.

(14) Revenue Bonds

On February 15, 2005, Assisted Living Facility Revenue Refunding Bonds in the amount of \$10,000,000 were issued. These revenue bonds are issued for the purpose of refunding two previous issuances of Revenue Bonds (Series 2002 Bonds and Series 2003 Bonds) which financed the cost of construction of the Williamsburg Retirement Community, Inc. Project. These bonds will be a special limited obligation of the City and shall not be payable from or charged upon any funds other than Loan Repayments made by the Williamsburg Retirement Community Inc. The bonds will not constitute a debt of the City within any constitutional or statutory limitation.

(15) Prior Period Adjustment

An adjustment has been made to correct an error that occurred in prior years in the amount of \$300 for the Recreation Center Account, General Fund and \$43 for the General Account, General Fund.

(16) Construction Contracts

The City has entered into several construction contracts during FY05 that are still in process as of June 30, 2005. The net amount committed to these contracts, payable in FY06 is \$1,795,605.

(17) Budget Overexpenditure

Per the Code of Iowa, disbursements may not legally exceed budgeted appropriations at the functional level. During the year ended June 30, 2005, disbursements in the Debt Service function exceeded the amounts budgeted.

(18) Subsequent Events

A construction contract for work to be performed on South Street was entered into in July of 2005, the Award amount was \$243,248.

Additionally, a General Obligation Bond was authorized June 27, 2005 with an issue date of July 1, 2005 in the amount of \$1,400,000 to provide funds to pay the cost, of constructing street, sanitary sewer and related improvements and acquiring a geographic computer base system.

REQUIRED SUPPLEMENTARY INFORMATION

City of Williamsburg

Budgetary Comparison Schedule of Receipts, Disbursements, and Changes in Balances-
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds

Required Supplementary Information

	Governmental Funds Actual	Proprietary Funds Actual	Net	Budgeted Original
Receipts:				
Property Tax	\$ 488,445	\$ -	\$ 488,445	\$ 488,861
Tax increment financing collections	1,209,469	-	1,209,469	1,000,000
Other City Tax	405,485	-	405,485	412,189
Use of money and property	103,249	7,196	110,445	89,820
Licenses and permits	11,806	-	11,806	7,300
Intergovernmental	237,257	-	237,257	234,937
Charges for services	297,499	590,528	888,027	862,200
Special Assessments	10,244	-	10,244	10,000
Miscellaneous	243,063	23,269	266,332	71,520
Total Receipts	<u>3,006,517</u>	<u>620,993</u>	<u>3,627,510</u>	<u>3,174,827</u>
Disbursements:				
Public Safety	422,794	-	422,794	386,902
Public Works	444,297	-	444,297	437,502
Health and social services	900	-	900	900
Culture and recreation	624,977	-	624,977	804,329
Community and economic development	117,097	-	117,097	146,587
General government	152,526	-	152,526	171,516
Debt service	836,970	-	836,970	379,140
Capital projects	1,623,061	-	1,623,061	1,500,000
Business Type	-	569,156	569,156	679,344
Total Disbursements	<u>4,222,622</u>	<u>569,156</u>	<u>4,791,778</u>	<u>4,506,220</u>
Excess (deficiency) of receipts over (under) disbursements	(1,216,105)	51,837	(1,164,268)	(1,331,393)
Other financing sources (uses):				
Bond Proceeds				
General Obligation Bond	-	-	-	1,249,473
Operating transfers in (out)	74,255	(74,255)	-	-
Total other financing sources (uses)	74,255	(74,255)	-	1,249,473
Excess (deficiency) of receipts and other financing sources over (under) disbursements & other financing uses	<u>(1,141,850)</u>	<u>(22,418)</u>	<u>(1,164,268)</u>	<u>(81,920)</u>
Balance beginning of year	3,050,583	454,596	3,505,179	1,229,765
Balance end of year	<u>\$ 1,908,733</u>	<u>\$ 432,178</u>	<u>\$ 2,340,911</u>	<u>\$ 1,145,867</u>

Amounts	Final to
Final	Net
	Variance
\$ 607,161	\$ (118,716)
1,000,000	209,469
412,189	(6,704)
91,120	19,325
7,300	4,506
322,358	(85,101)
870,735	17,292
10,000	244
142,807	123,525
<u>3,463,670</u>	<u>163,840</u>

422,902	108
483,582	39,285
900	-
764,329	139,352
156,301	39,204
168,011	15,485
836,920	(50)
1,654,518	31,457
649,344	80,188
<u>5,136,807</u>	<u>345,029</u>

(1,673,137)

3,105,516

3,105,516

1,432,379

1,229,765

\$ 2,662,144

City of Williamsburg

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2005

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted included disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$660,587. The budgeted amendments are reflected in the final budgeted amount.

During the year ended June 30, 2005, disbursements exceeded the amounts budgeted in the debt service function.

OTHER SUPPLEMENTARY INFORMATION

City of Williamsburg

Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Nonmajor Governmental Funds

As of and for the year ended June 30, 2005

	Capital Projects			
	2004 State/Welsh St Project	2004 Welsh Utilities Project	2004 Fire Station Project	2004 Trunk Sewer Project
Receipts:				
Property tax	\$ -	\$ -	\$ -	\$ -
Other city tax	-	-	-	-
Use of money and property:				
Interest on investments	-	-	-	-
Miscellaneous				
Sales Tax Refunds	22,657	1,285	-	-
Total receipts	<u>22,657</u>	<u>1,285</u>	<u>-</u>	<u>-</u>
Disbursements:				
Capital projects				
Contractual services	68,151	2,658	29,666	91,702
Commodities				17,621
Capital Outlay	<u>1,065,463</u>	<u>34,328</u>	<u>195,759</u>	
Total disbursements	1,133,614	36,986	225,425	109,323
Deficiency of receipts under disbursements	(1,110,957)	(35,701)	(225,425)	(109,323)
Other financing sources (uses):				
Transfers in (out):				
Capital Projects	1,067,906	28,040	224,500	95,300
Total Transfers	<u>1,067,906</u>	<u>28,040</u>	<u>224,500</u>	<u>95,300</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financial uses	(43,051)	(7,661)	(925)	(14,023)
Balance, beginning of year	<u>833</u>	<u>8,519</u>	<u>987</u>	<u>18,153</u>
Balance, end of year	<u>\$ (42,218)</u>	<u>\$ 858</u>	<u>\$ 62</u>	<u>\$ 4,130</u>
Cash Basis Fund Balances				
Unreserved:				
Capital Project Fund	<u>(42,218)</u>	<u>858</u>	<u>62</u>	<u>4,130</u>
Total cash basis fund balances	<u>(42,218)</u>	<u>858</u>	<u>62</u>	<u>4,130</u>

2005 State St Project	2005 South St Project	Capital Improvements	Total
		\$ 35,380	\$ 35,380
-	-	1,633	1,633
	1,035	5,613	6,648
			23,942
-	1,035	42,626	67,603
15,672	9,882	13,402	231,133
		60	17,681
		78,697	1,374,247
15,672	9,882	92,159	1,623,061
(15,672)	(8,847)	(49,533)	(1,555,458)
26,000	174,559	(1,217,246)	399,059
26,000	174,559	(1,217,246)	399,059
10,328	165,712	(1,266,779)	(1,156,399)
-	-	1,357,252	1,385,744
\$ 10,328	\$ 165,712	\$ 90,473	\$ 229,345
10,328	165,712	90,473	229,345
10,328	165,712	90,473	229,345

Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Fiduciary Funds

As of and for the year ended June 30, 2005

	<u>Fiduciary Funds</u>
	<u>Thelma Wyman</u>
	<u>Fund</u>
Receipts:	
Use of money and property:	\$ 6
Total receipts	<u>6</u>
Disbursements:	
Culture and Recreation	<u>-</u>
Total disbursements	-
Deficiency of receipts under disbursements	6
Balance, beginning of year	<u>846</u>
Balance, end of year	<u><u>\$ 852</u></u>
Cash Basis Fund Balances	
Unreserved	<u><u>852</u></u>

City of Williamsburg

Schedule of Indebtedness

Year ended June 30, 2005

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year
General Obligation Bonds					
Corporate purpose - street, water & sanitary sewer improvements	September 1, 1997	4.55 - 5.10%	1,010,000	90,000	-
Corporate purpose - 1998 & 1999 DNR projects	August 1, 1999	4.00 - 5.10%	850,000	250,000	-
Corporate purpose - street, storm & sanitary sewer, waterworks & park improvements	June 14, 2004	3.00 - 4.35%	1,400,000	1,400,000	-
Corporate purpose - street, storm & sanitary sewer, waterworks & park improvements	August 1, 2001	3.75 - 4.80%	1,115,000	1,005,000	-
Corporate purpose - street, storm sewer & curb & gutter improvements & projects	March 1, 2002	2.65 - 4.50%	900,000	800,000.00	-
Revenue Bonds					
State Revolving Funds	June 13, 2005	3.00%	1,050,000	<u>-</u>	<u>1,050,000</u>
Total				<u>3,545,000</u>	<u>1,050,000</u>

Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
90,000	-	4,500	-
250,000	-	12,285	-
140,000	1,260,000	52,780	1,575
110,000	895,000	44,005	2,797
100,000	700,000	31,850	1,546
<u>-</u>	<u>1,050,000</u>	<u>-</u>	<u>-</u>
<u>690,000</u>	<u>3,905,000</u>	<u>145,420</u>	<u>5,918</u>

City of Williamsburg

Bond and Note Maturities

June 30, 2005

General Obligation Bonds

Year Ending June 30, 2004	General Obligation Bonds Issued June 14, 2004		General Obligation Bonds Issued August 1, 2001	
	Interest Rate	Amount	Interest Rate	Amount
2006	3.00%	140,000	4.00%	110,000
2007	3.50%	140,000	4.15%	110,000
2008	3.50%	140,000	4.30%	110,000
2009	4.00%	140,000	4.40%	110,000
2010	4.00%	140,000	4.50%	110,000
2011	4.00%	140,000	4.60%	110,000
2012	4.10%	140,000	4.70%	110,000
2013	4.25%	140,000	4.80%	125,000
2014	4.35%	140,000		
Total		<u>1,260,000</u>		<u>\$ 895,000</u>

Revenue Bonds

Year Ending June 30, 2004	Sewer Revenue Bonds - SRF Issued June 13, 2005		
	Interest Rate	Amount	Total
2006	3.00%	39,000	389,000
2007	3.00%	40,000	390,000
2008	3.00%	41,000	391,000
2009	3.00%	43,000	393,000
2010	3.00%	44,000	394,000
2011	3.00%	45,000	395,000
2012	3.00%	47,000	397,000
2013	3.00%	48,000	313,000
2014	3.00%	49,000	189,000
2015-2025	3.00%	654,000	654,000
Total		<u>\$ 1,050,000</u>	<u>\$ 3,905,000</u>

General Obligation Bonds
Issued March 1, 2002

Interest Rate	Amount
3.45%	100,000
3.75%	100,000
4.00%	100,000
4.20%	100,000
4.35%	100,000
4.45%	100,000
4.50%	100,000
	<u>\$ 700,000</u>

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Independent Auditor's Report on Compliance
and on Internal Control over Financial Reporting

To the Honorable Mayor and
Members of the City Council:

I have audited the financial statements of the City of Williamsburg, Iowa, as of and for the year ended June 30, 2005, and have issued my report thereon dated August 12, 2005. My report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. I conducted my audit in accordance with United States generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Williamsburg's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, and contracts, non-compliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance that are required to be reported under Governmental Auditing Standards. Additionally, I noted certain immaterial instances of non-compliance that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Entity's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during my audit of the general purpose financial statements of the City of Williamsburg. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior audit statutory comments have been resolved except for item 1.


Internal Control Over Financial Reporting

In planning and performing my audit, I considered the City of Williamsburg's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect the City of Williamsburg's ability to record, process, summarize and report

financial data consistent with the assertions of city officials in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, I believe item 1 is a material weakness. Prior year reportable conditions have been resolved except for item 1. This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Williamsburg and other parties to whom the City of Williamsburg may report. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by the personnel of the City of Williamsburg during the course of my audit. Should you have any questions concerning any of the above matters, I would be pleased to discuss them with you at your convenience.



Juli Ochs, CPA, Principal

August 12, 2005

CITY OF WILLIAMSBURG

Schedule of Findings

Year ended June 30, 2005

The following comments about the City of Williamsburg operations for the year ended June 30, 2005, are based exclusively on knowledge obtained from procedures performed during our audit of financial statements of the City.

REPORTABLE CONDITIONS

- (1) Segregation of Duties – One important element in designing an internal control structure that safeguards assets and reasonably ensures the reliability of the accounting records is the concept of segregation of duties. When duties are properly segregated, the activities of one employee act as a check of those of another.

During our review of the city's control procedures, we noted that one person has control over one or more of the following areas:

Accounting system – general journal/general ledger/journal entry function and custody of assets

Receipts – collecting, depositing, journalizing, posting, and reconciling.

Payroll – preparation and distribution.

Utilities – collections, depositing and recording.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – Continued work in this area to increase Segregation of Duties.

Conclusion – Response acknowledged.

OTHER FINDINGS RELATED TO STATUTORY REPORTING

- (2) Certified Budget – Disbursements during the year ended June 30, 2005, exceeded the amounts budgeted in the Debt Service Function. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation - The budget should have been amended in sufficient amounts in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – There was an unexpected \$50 administrative fee that was paid instead of holding till Fiscal Year 2006.

Conclusion – Response accepted.

- (3) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- (4) Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.
- (5) Water Loss– Based on an Engineering Report, Minimum Night Ration Study performed in August of 2003 by Michael D. Saeugling the city is experiencing a “substantial leakage” problem. Additionally, water usage reports calculated by the utility clerk indicate a fluctuating water loss problem. Review of water usage reports from 2004 and 2005 reveal that the City lost an average of 500,000 more gallons of water in 2005.

Recommendation – Since water loss can occur because of leaks and/or unmetered usage, a plan should be formulated to investigate why the City is experiencing substantial water loss.

Response – Will continue to investigate water loss.

Conclusion – Response accepted.

- (6) Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Michael Gabriel, Police Chief, owner of Gabe's Gun Shop	Ammunition & Clothing	\$ <u>40</u>
		\$ <u>40</u>

In accordance with Chapter 362.5(10) of the Code of Iowa, the transactions with certain Council Members do not appear to represent conflicts of interest since total transactions with each individual were less than \$2,500 during the fiscal year

- (7) Questionable Disbursements –I noted no disbursements that meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- (8) Travel Expense –No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (9) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa. However, it was noted that the City's investment policy is not current and in compliance with the provisions of Chapter 12B.10B of the Code of Iowa.

Recommendation – The City should update their investment policy to comply with the provisions of Chapter 12B.10B of the Code of Iowa.

Response – Legal counsel has been contacted.

Conclusion – Response accepted.

- (10) Separately Maintained Records – The Williamsburg Police Department maintains separate accounting records pertaining to their operation. The financial transactions and resulting balances are not included in the City's accounting records.

Recommendation – Chapter 384.20 of the Code of Iowa states in part that “a City shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose.” For better accountability, financial and budgetary control, the financial activity and balances of all City accounts should be included in the City's accounting records and reported to the Council on a monthly basis.

Response – The city clerk will audit said records.

Conclusion – Response accepted, the records should be included in the City's accounting records.

- (11) 28E Agreement with Williamsburg Fire Department – An agreement exists with the Williamsburg Volunteer Fire Department, the City of Williamsburg and the Williamsburg Rural Fire Department under the Code of Iowa Chapter 28E. The Code states that...”any public agency may enter into an agreement with one or more public or private agencies...” and the Code defines a private agency as “...any form of business organization authorized under the laws of this or any other state.” While the Firefighters Association exists to raise funds to support the City of Williamsburg Fire Department, it appears that the City of Williamsburg Fire Department is not a “private agency” as defined by the Code of Iowa.

Recommendation – The Williamsburg Volunteer Fire Department should comply with the Code of Iowa by setting themselves apart as private agency.

Response – Legal Counsel will be contacted.

Conclusion – Response accepted.

- (12) Official Depositories – A resolution naming official depositories has been approved by the City. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005.